

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

Company Registration No. 3230337

**BERKSHIRE HATHAWAY
INTERNATIONAL INSURANCE LIMITED**

Report and Financial Statements

31 December 2009

TUESDAY



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BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

**REPORT AND FINANCIAL STATEMENTS
As at 31 DECEMBER 2009**

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BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr R Love (Managing Director)

OTHER DIRECTORS

Mr F N Krutter (U S)

Mr D T Young (Non – Executive)

Mr J H Bishop (Non – Executive)

Mr T A Bolt (Non – Executive) (U S) (Resigned 31/07/2009)

Mr A Wilson

Mr G Finney

SECRETARY

Ms C Martin

REGISTERED OFFICE

Birchin Court
20 Birchin Lane
London
EC3V 9DU

BANKERS

Lloyds TSB Bank Plc
113 Leadenhall Street
London
EC3A 4AX

Barclays Bank plc
1 Churchill Place
London
EC14 5HP

Citibank
Citibank House
36 The Strand
London
WC2R 1HB

Lloyds TSB Bank plc
1, place Bel-Air
Case postale 5145
CH - 1211
Genève 11

AUDITORS

Deloitte LLP
London

INVESTMENT MANAGER

National Indemnity Company
3024 Harney Street
Omaha
Nebraska 68131
USA

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year to 31 December 2009

PRINCIPAL ACTIVITIES

Berkshire Hathaway International Insurance Limited commenced trading on 1 January 1997 and its principal activity is underwriting general insurance business. The Company's operations are administered by the Company with additional administrative and claims handling services being provided by related group companies.

BUSINESS REVIEW

The Company continued to have two significant underwriting activities, being its participation on the Global Aerospace Underwriting Managers (GAUM) aviation pool and the writing of high level US Liability coverages through an in house underwriting team.

The GAUM participation allows the Company to write general insurance policies for Airline, Products, General Aviation and Space insurance to the space and aviation industries. During the year the Company obtained appropriate licences in Switzerland to write aviation business to support the expansion by GAUM into this market.

The Company continued to develop the writing of high level US Liability coverages though this market has remained very competitive and there has been less opportunity to write business, at acceptable rates, than had been anticipated.

The Company continued the orderly run-off of its UK motor and UK property accounts.

The Company maintained its Standard & Poor's credit rating of AAA throughout the year, however on February 4th, 2010 the Company's credit rating was reduced by Standard & Poor's to AA+, along with the rest of the Berkshire Hathaway Insurance companies. The review of the Company's credit rating was triggered by the announcement that Berkshire Hathaway Inc. was to purchase Burlington Northern Santa Fe for approximately US\$26 billion in cash and stock for the shares it did not already own.

As shown in the Company's profit and loss account on page 8, the Company's gross premiums written have decreased from £79,409m to £58,444m as the Company reduced the amount of business it wrote in its two key areas of aviation and casualty.

Though the Company was able to report a significant improvement in the general business technical account result of a profit of £1,242m, compared to a loss of £4.2m, investment losses and exchange losses reduced these gains which resulted in the Company reporting a profit before tax of £0,309m, compared to a reported profit before tax of £6,684m last year.

The Company's investment income continued to decline as base rates in both its key currencies of Sterling and US Dollars impacted the yields on Government Bonds held by the Company.

With the strengthening of the sterling exchange rate against major currencies, the Company has reported exchange losses of £1,581m compared to a £4,884m gain last year, as the value of its US Dollar and Euro net assets have decreased when reported in Sterling.

Berkshire Hathaway Inc. manages its insurance operations on a divisional basis. For this reason and the materiality of the Company within the Berkshire Group, the Company's directors believe that further key performance indicators for the Company are not necessarily appropriate for an understanding of the development, performance or position of the business. The performance of the Berkshire Hathaway Reinsurance division, which includes the Company, is discussed in the group's Annual Report, which does not form part of this report.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

FUTURE DEVELOPMENTS

In 2010 we anticipate premium rates will remain under pressure in our key markets of aviation and US Liability insurance. In December 2009 the Company began writing Energy business with January 2010 inception dates, brokered by the Marsh Energy Practice (MEP) with the intention of entering into a binding authority arrangement with MEP in the first half of 2010. The Company intends to write approximately one hundred million dollars worth of business through this distribution channel in 2010. This business has significant reinsurance back to the Company's parent company, National Indemnity Company, on both a quota share and excess of loss basis.

The Company continues to review opportunities to write continental European covers.

GOING CONCERN

The financial position of the Company continues to be encouraging and cash flows are expected. The capital structure of the Company has remained stable for a considerable period and financial risk management processes are in place to maintain the Company's liquidity and solvency position.

Having taken into account the risks and uncertainties and the performance of the business and after making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to potentially very large gross claims in respect of a major aviation incident occurring. The Company evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Company.

The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Company's long tail lines of business. The Company seeks to provide appropriate levels of claims provision and provision for unexpired risks taking the known facts and experience into account. The estimation of insurance liabilities involves the use of judgements and assumptions that are specific to each type of insurance risk covered.

The future return on the Company's investment portfolio is dependent on the movement of interest rates in our key currencies of Sterling and US Dollars.

DIVIDENDS

The directors do not recommend the payment of a dividend (2008 Nil).

DIRECTORS AND THEIR INTERESTS

None of the directors had any beneficial interests in the shares of the Company at any time during the financial year. The Company is a wholly owned subsidiary of an entity incorporated outside Great Britain. Accordingly, no disclosure is provided of directors' interests in other Group companies, which are incorporated outside Great Britain.

A listing of all Directors holding office during the year has been included on Page 1 'Officers and Professional Advisers'.

SUPPLIER PAYMENT POLICY

It is Company policy to pay suppliers within agreed terms of credit upon timely receipt of an accurate invoice.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company adopts a conservative investment and risk management policy to ensure that there is no material exposure to market, liquidity or cashflow risks. In addition, the Company has no exposure to derivatives or currency-hedging risks.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

DIRECTORS' REPORT

AUDITORS

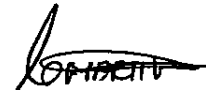
Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 (2) of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors. An Elective Resolution has been passed dispensing with the requirement to appoint Auditors annually. Deloitte LLP are, therefore, deemed to continue as Auditors.

Approved by the Board of Directors
and signed on behalf of the Board



C Martin
Secretary

29th March 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

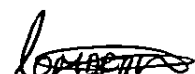
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



C Martin
Secretary

29th March 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

We have audited the financial statements of Berkshire Hathaway International Insurance Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Equalisation Reserves

Our evaluation of the presentation of the information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of the equalisation reserves, the amounts set aside at 31 December 2009, and the effect of the movement in these reserves during the year on the balance on the general business technical account and result before tax, is disclosed in note 12.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Downes (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

29 March 2010

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2009

TECHNICAL ACCOUNT - General business

	Note	2009 £'000	2008 £'000
Earned premiums, net of reinsurance			
Gross premiums written	2	58,444	79,409
Outward reinsurance premiums		<u>(51,201)</u>	<u>(62,153)</u>
Net premiums written		7,243	17,256
Change in the provision for unearned premiums			
Gross amount	11	<u>20,850</u>	<u>5,400</u>
Reinsurers' share	11	<u>(13,284)</u>	<u>(5,269)</u>
Change in the net provision for unearned premiums		7,566	131
Earned premiums, net of reinsurance		<u>14,809</u>	<u>17,387</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(45,590)	(53,625)
Reinsurers' share		<u>31,361</u>	<u>37,009</u>
Net claims paid		(14,229)	(16,616)
Change in the provision for claims			
Gross amount	11	<u>(17,718)</u>	<u>(27,051)</u>
Reinsurers' share	11	<u>21,433</u>	<u>27,477</u>
Change in the net provision for claims		<u>3,715</u>	<u>426</u>
Claims incurred, net of reinsurance		(10,514)	(16,190)
Change in other technical provisions			
Gross amount	11	<u>1,500</u>	<u>991</u>
Reinsurers' share	11	<u>(1,364)</u>	<u>(2,038)</u>
Change in other technical provisions – net		136	(1,047)
Net operating expenses	4	(2,876)	(3,490)
Change in equalisation reserve	12	(313)	(860)
Total technical charges		<u>(13,567)</u>	<u>(21,587)</u>
Balance on the technical account for general business		<u>1,242</u>	<u>(4,200)</u>

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2009

NON-TECHNICAL ACCOUNT

	Note	2009 £'000	2008 £'000
Balance on the general business technical account		1,242	(4,200)
Investment income		3,455	4,334
Realised (losses) / gains		(1,850)	557
Unrealised (losses) / gains		(957)	1,109
Foreign exchange on translation		(1,581)	4,884
Profit on ordinary activities before tax		309	6,684
Tax on profit on ordinary activities	6	<u>1,289</u>	<u>(1,899)</u>
Profit on ordinary activities after tax retained for the financial year	10	<u>1,598</u>	<u>4,785</u>

There are no recognised gains or losses other than the loss for the year and, accordingly, no statement of recognised gains and losses has been prepared

All of the operations of the Company are continuing

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Equity shareholders' funds at 1 January		47,747	42,962
Profit for the year		<u>1,598</u>	<u>4,785</u>
Equity shareholders' funds at 31 December		<u>49,345</u>	<u>47,747</u>

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

BALANCE SHEET
As at 31 December 2009

	Note	2009 £'000	2008 £'000
ASSETS			
Fixed Assets	7	<u>-</u>	<u>-</u>
Investments			
Other financial investments	8	<u>131,761</u>	<u>141,149</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	11	33,035	50,008
Claims outstanding	11	187,264	180,337
Other technical provisions	11	<u>6,899</u>	<u>8,609</u>
		<u>227,198</u>	<u>238,954</u>
Debtors			
Debtors arising out of direct insurance operations			
- Intermediaries		8,694	25,229
Debtors arising out of reinsurance operations		1,082	932
Other debtors		<u>96</u>	<u>1,416</u>
		<u>9,872</u>	<u>27,577</u>
Other assets			
Cash at bank and in hand		<u>2,845</u>	<u>5,001</u>
Prepayments and accrued income			
Accrued interest		693	627
Deferred acquisition costs		<u>576</u>	<u>1,610</u>
		<u>1,269</u>	<u>2,237</u>
TOTAL ASSETS		<u><u>372,945</u></u>	<u><u>414,918</u></u>

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

BALANCE SHEET continued
As at 31 December 2009

	Note	2009 £'000	2008 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	9	39,716	39,716
Profit and loss account	10	9,629	8,031
Equity shareholders' funds		<u>49,345</u>	<u>47,747</u>
Technical provisions			
Provision for unearned premiums	11	43,830	69,448
Claims outstanding	11	244,844	245,392
Equalisation provision	12	5,845	5,532
Other technical provisions	11	13,222	15,241
		<u>307,741</u>	<u>335,613</u>
Creditors			
Creditors arising out of direct insurance operations		2,560	555
Creditors arising out of reinsurance operations		12,483	27,621
Other creditors including taxation and social Security		816	3,382
		<u>15,859</u>	<u>31,558</u>
TOTAL LIABILITIES		<u>372,945</u>	<u>414,918</u>

The notes on pages 13 to 24 form an integral part of these accounts

Approved at a meeting of the Board of Directors and signed on its behalf



R. Love
 Director

29th March 2010

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006, and applicable United Kingdom accounting standards and under the current value accounting rules. The Company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers ("the ABI SORP")

The particular accounting policies adopted are described below

Going Concern

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Directors' Report, and after making enquires, there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Company continues to adopt the going concern basis in the preparation of the financial statements

Cash flow statement

Advantage has been taken of the exemption under the revised FRS1 not to present a statement of cash flow as the Company is 90% or more controlled within the Berkshire Hathaway group of companies, and the consolidated financial statements in which the subsidiary undertaking is included are publicly available (note 14)

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis

Premiums

Under the annual basis of accounting, written premiums comprise the premiums on contracts incepting in the financial year

Estimates are included of pipeline premiums due but not yet notified to the Company

Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business

Unearned premiums

A provision for unearned premiums is made which represents that part of gross, and reinsurers' share of, premiums written which is estimated will be earned in the following or subsequent financial years. It is calculated separately for each insurance contract usually on the 24ths or 365ths basis depending on the estimated incidence of risk throughout the period of the contract

Deferred acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

1. ACCOUNTING POLICIES continued

Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured

Claims outstanding

Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage and other recoveries are deducted from outstanding claims.

Provisions for claims outstanding are based on information available to the directors and the eventual outcome may vary from the original assessment.

Other technical provisions - unexpired risks

Provision is made for unexpired risks when, after taking account of investment income, it is anticipated, on the basis of information available at the year end, that unearned premiums will be insufficient to meet future claims and related expenses of business in force at the end of the year. The provision for unexpired risks is included within "Other technical provisions" in the balance sheet.

Equalisation provision

Amounts are set aside as equalisation provisions in accordance with the Integrated Prudential Sourcebook for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, under Schedule 3 of the Accounting Regulations, they are included within technical provisions.

Premium levies

Provision is made for the potential liability payable to the Financial Services Compensation Scheme and the Financial Services Authority in respect of premiums recognised in these accounts. The charge is included within administrative expenses.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities are translated into sterling at the rates of exchange prevailing at the balance sheet date. All translation differences are dealt with in the non-technical account.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

1. ACCOUNTING POLICIES continued

Investment income, expenses and charges

All the investment return is recognised in the non-technical account

Interest income is recognised on an accruals basis, as are any investment expenses

Realised gains or losses represent the difference between the net sales proceeds and purchase price

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of investments held at the balance sheet date together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year

Investments, consisting of listed investments and deposits with credit institutions, are stated at their current values at the end of the year

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax

Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise. Deferred tax balances are not discounted

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

2. SEGMENTAL INFORMATION

Analysis of gross premiums written and gross premiums earned by class of business:

	Gross premiums written		Gross premiums earned	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Direct insurance				
Aviation	47,163	65,238	63,378	64,502
Motor				
- Third-party liability	-	(2)	-	(2)
Property	-	1	-	82
Third-party liability	11,195	14,129	15,814	19,997
	<u>58,358</u>	<u>79,366</u>	<u>79,192</u>	<u>84,579</u>
Reinsurance acceptances				
Liability	86	43	102	230
	<u>58,444</u>	<u>79,409</u>	<u>79,294</u>	<u>84,809</u>

Analysis of gross premiums written:

	2009	2008
	£'000	£'000
Contracts written by the Company in		
United Kingdom	57,593	79,409
Switzerland	851	-
	<u>58,444</u>	<u>79,409</u>

Geographical analysis of profit before tax and net assets has not been included as all risks either originate or are procured in the United Kingdom in both 2008 and 2009

Class of business analysis for net assets and profit before taxation have not been disclosed as a meaningful split of the business cannot be obtained

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

2. SEGMENTAL INFORMATION continued

Analysis of gross claims incurred, gross operating expenses and the reinsurance balance by class of business:

	Gross claims incurred	Operating expenses	Reinsurance Balance
	2009	2009	2009
	£'000	£'000	£'000
Direct insurance			
Aviation	47,949	1,515	13,066
Motor			
- Third-party liability	3,212	960	(4,631)
- Other	-	-	-
Property	(237)	34	239
Third-party liability	12,300	365	2,955
	<u>63,224</u>	<u>2,874</u>	<u>11,629</u>
Reinsurance acceptances			
Motor	-	-	-
Liability	84	2	62
Marine	-	-	-
	<u>63,308</u>	<u>2,876</u>	<u>11,691</u>

	Gross claims incurred	Operating expenses	Reinsurance Balance
	2008	2008	2008
	£'000	£'000	£'000
Direct insurance			
Aviation	57,806	2,178	5,042
Motor			
- Third-party liability	(440)	893	746
- Other	-	-	-
Property	(125)	23	135
Third-party liability	23,223	393	(3,067)
	<u>80,464</u>	<u>3,487</u>	<u>2,856</u>
Reinsurance acceptances			
Motor	46	-	-
Liability	166	3	80
Marine	-	-	-
	<u>80,676</u>	<u>3,490</u>	<u>2,936</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

3. PRIOR-YEARS' CLAIMS PROVISIONS

Material over/(under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior-years' claims are as follows

	2009 £'000	2008 £'000
Aviation	3,308	(1,263)
Motor	1,404	(365)
Property	(33)	53
	<u>4,679</u>	<u>(1,575)</u>

4. NET OPERATING EXPENSES

	2009 £'000	2008 £'000
Acquisition costs –		
Commission on Direct business	7,220	10,977
Other acquisition costs	1,372	1,140
Total Acquisition Costs	<u>8,592</u>	<u>12,117</u>
Change in gross deferred acquisition costs	<u>3,069</u>	<u>(1,970)</u>
	11,661	10,147
Administrative expenses	<u>2,427</u>	<u>4,076</u>
Gross operating expenses	14,088	14,223
Reinsurance commissions and profit participation	<u>(11,212)</u>	<u>(10,733)</u>
Net operating expenses	<u>2,876</u>	<u>3,490</u>

Administrative expenses include:

	2009 £'000	2008 £'000
Auditors' remuneration		
Audit fees	<u>96</u>	<u>93</u>

The Company's auditors did not provide any other services to the Company in 2009 and 2008

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

	2009 £'000	2008 £'000
Emoluments	-	25
Emoluments recharged from another Group Company	700	128
	<u>700</u>	<u>153</u>

The emoluments stated above are in respect of the services of two non-executive directors and three executive directors during the year. The other directors do not receive any remuneration specifically for activity as directors of this Company – their costs are borne by another group company and not recharged. The Company did not make any contribution to any pension scheme and no director is entitled to any other benefits.

The emoluments of the highest paid director charged into the Company were £537,352 (2008 £44,132).

Employee costs

The Company has no full-time employees, with services provided by another group company and, accordingly, no direct staff costs are incurred by the Company. During the year an amount of £1,261,646 (2008 £2,252,115) has been charged to the Company for the provision of these services.

Other information

A reorganisation of the directors and employees in 2008 makes its numbers non-comparable to those of 2009.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of current tax for the year is 28% (2008 - 30% up to March 31, 28% thereafter)
 The current tax charge for the year is not 28% of the profit before tax for the reasons set out below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	<u>309</u>	<u>6,684</u>
Tax on profit on ordinary activities at standard rate	87	1,905
Factors affecting tax charge		
Expenses disallowable for tax purposes	3	1
Capital allowances in excess of depreciation	(5)	(7)
Movement in short-term timing differences	-	-
Current year losses to be surrendered as group relief	-	-
Group relief – on previous years' corporation tax liabilities received for nil consideration	(1,374)	-
	<u>(1,289)</u>	<u>1,899</u>

No provision is made for potential deferred tax assets (2008 nil), as this is dependent upon the availability of future profits within this Company or the rest of the UK group

The estimated amount of the deferred tax asset not provided

	2009 £'000	2008 £'000
Depreciation in excess of capital allowances	<u>14</u>	<u>20</u>
	<u>14</u>	<u>20</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

7. TANGIBLE FIXED ASSETS

	Computer and office equipment £'000	Total £'000
Cost		
At 1 January 2009	210	210
Additions	-	-
At 31 December 2009	<u>210</u>	<u>210</u>
Accumulated depreciation		
At 1 January 2009	210	210
Charge for year	-	-
At 31 December 2009	<u>210</u>	<u>210</u>
Net book value		
At 31 December 2009	<u>-</u>	<u>-</u>
At 31 December 2008	<u>-</u>	<u>-</u>

8. INVESTMENTS IN OTHER FINANCIAL INVESTMENTS

	2009 £'000	2008 £'000
Market Value		
Debt securities and other fixed income securities – listed	111,334	105,216
Deposits with credit institutions	<u>20,427</u>	<u>35,933</u>
	<u>131,761</u>	<u>141,149</u>
	2009 £'000	2008 £'000
Historical Cost		
Debt securities and other fixed income securities – listed	111,330	103,408
Deposits with credit institutions	<u>20,427</u>	<u>35,933</u>
	<u>131,757</u>	<u>139,341</u>

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 December 2009

9. CALLED UP SHARE CAPITAL

	2009	2008
	£'000	£'000
Authorised 39,716,169 ordinary shares of £1 each	<u>39,716</u>	<u>39,716</u>
Called up, allotted and fully paid 39,716,169 ordinary shares of £1 each	<u>39,716</u>	<u>39,716</u>

10. MOVEMENTS IN RESERVES

	2009	2008
	£'000	£'000
Profit and loss account Balance at 1 January 2009	8,031	3,246
Profit for the year	1,598	4,785
Balance at 31 December 2009	<u>9,629</u>	<u>8,031</u>

11. TECHNICAL PROVISIONS

	Provision for unearned premiums £'000	Claims reserve £'000	Claims Handling Costs £'000	Claims outstanding £'000	Other technical provisions £'000	Total £'000
Gross						
Balance at 1 January 2009	69,448	238,027	7,365	245,392	15,241	330,081
Exchange on revaluation	(4,768)	(18,266)	0	(18,266)	(519)	(23,553)
Movement in provision	(20,850)	18,231	(513)	17,718	(1,500)	(4,632)
Balance at 31 December 2009	<u>43,830</u>	<u>237,992</u>	<u>6,852</u>	<u>244,844</u>	<u>13,222</u>	<u>301,896</u>
Reinsurance amount						
Balance at 1 January 2009	50,008	176,155	4,182	180,337	8,609	238,954
Exchange on revaluation	(3,689)	(14,506)	0	(14,506)	(346)	(18,542)
Movement in provision	(13,284)	21,625	(192)	21,433	(1,364)	6,786
Balance at 31 December 2009	<u>33,035</u>	<u>183,274</u>	<u>3,990</u>	<u>187,264</u>	<u>6,899</u>	<u>227,198</u>
Net						
At 31 December 2009	<u>10,795</u>	<u>54,718</u>	<u>2,862</u>	<u>57,580</u>	<u>6,323</u>	<u>74,698</u>
Net						
At 31 December 2008	<u>19,440</u>	<u>61,872</u>	<u>3,183</u>	<u>65,055</u>	<u>6,632</u>	<u>91,127</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2009

11. TECHNICAL PROVISIONS continued

The ultimate cost of general business outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average costs per claim and ultimate claim numbers for each accident year, or underwriting year if appropriate, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in future, for example to reflect public attitudes to claiming, economic conditions or varying levels of claims inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available. Large claims are usually separately assessed, either by being measured at case estimate face value or separately projected in order to reflect their future development. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is also used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

12. EQUALISATION PROVISION

The equalisation reserve, established in accordance with the Integrated Prudential Sourcebook, is required by Schedule 3 of the Accounting Regulations to be included within technical provisions, notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. This provision has reduced shareholders' funds by £5 845m (2008 £5 532m) net of taxation, with the balance on the general technical account and the result before taxation for the year both reduced by £0 313m (2008 £0 860m).

NOTES TO THE ACCOUNTS

For the year ended 31 December 2009

13. GUARANTEES AND FINANCIAL COMMITMENTS

The Company has a co-ordinating role for a defined contribution pension plan, the Resolute Pension Plan, and has indemnified the Trustees to the extent that no Trustee shall (as a Trustee for the Plan or in the exercise of any rights or powers under the Plan Rules) incur any personal liability except in respect of fraud or wilful and knowing breach of trust actually committed by the Trustee. No provision is considered necessary in the Company's accounts for any amounts due or potentially due under this indemnity.

During 2009 the Company provided indemnities to the Non Executive Directors for their activities with the Company. Indemnities were also provided on a similar basis to the Executive Directors and to a number of Executive Directors of related Companies based in London. These indemnities are intended to indemnify the indemnitees in the event of proceedings being brought against the individuals where the individual has reasonably believed they have acted in the best interests of the relevant related Company and have acted consistently within the related Company's rules, instructions and guidelines. These indemnities remained in place at the date of the approval of this report. No provision is considered necessary in the Company's accounts for any amounts due or potentially due under these indemnities.

In November 2007 the Company became guarantor for a group company, Resolute Management Limited, in respect of that company's banking facilities with Barclays Bank plc. This guarantee was fully discharged as of 15 July 2009.

Except as noted above, the Company has no charges, potential capital gains tax liabilities, contingent liabilities, guarantees, indemnities or other contractual commitments, or other fundamental uncertainties to report.

In order that the Company can transact business in the USA and Switzerland, the Company holds restricted investments of US\$ 6,834,896 and CHF 100,200. In addition, the Company has one \$100,000 bond that has been lodged in respect of the state of Oklahoma. The Company has no other restricted investments.

14. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's ultimate parent company, controlling party, company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member of, is Berkshire Hathaway Inc., a Company incorporated in the United States of America.

The parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company is a member is National Indemnity Company, a company incorporated in the state of Nebraska.

The consolidated financial statements of both of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska 68131, USA.

15. RELATED PARTY TRANSACTIONS

The Company is taking advantage of the exemption under FRS 8, Paragraph 3 Related Party Transactions. The consolidated accounts of the Parent Company are publicly available.